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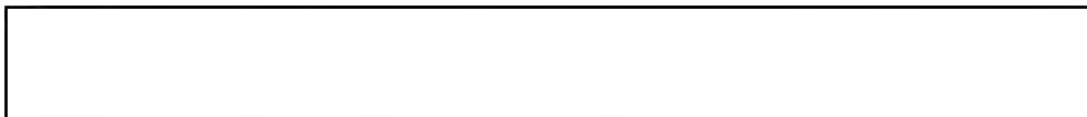
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JORDAN-SYRIA: There have been no clashes along the border since last Friday, and the situation appears less tense.

Although Syrian and Jordanian forces remain in a high state of readiness, both countries appear to have adopted more conciliatory positions. The Jordanians have informed Syrian diplomats in Amman that they need not leave. The Jordanian press has avoided blaming Syria for the border incidents, which it claims are the fault of the fedayeen, and it has made no mention of Syrian air attacks against Jordanian armor. In a speech on Saturday, Syrian President Asad avoided any mention of the fighting.

Mediation efforts by Egypt may also have contributed to the easing of tension. Egyptian War Minister Sadiq flew to Damascus on Friday in an apparent effort to ease the situation [REDACTED]

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[redacted] press reports from Damascus following a meeting between Saqqaf and Khuli and Yasir Arafat indicate that the fedayeen would agree only to the original Saqqaf-Khuli proposals. The tough Jordanian stance toward the fedayeen will make it difficult for the Syrians to make any immediate move toward re-establishing relations and could force Asad to adopt an even harder line toward Jordan in an effort to maintain a pro-fedayeen image. [redacted]

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MALTA-UK: The North Atlantic Council will meet again early this week to try to resolve differences over a new British approach to Malta.

Under pressure from some NATO members who think London is adopting too hard a line, the British agreed to consider sending a more conciliatory message. Final details of the message are to be worked out in the council meeting. Despite pressure from the US, London still seems unwilling to mention to Prime Minister Mintoff any concrete figure on the emergency financial aid that he claims is vital. Mintoff has already rejected two separate British proposals made late last week which specified the amounts of aid and cash London and some of its NATO allies were prepared to offer.

Even though Mintoff rejected the two earlier UK proposals, there are indications he wants to keep negotiations alive. He did not carry out his threat to ask British troops to withdraw on 13 August if no agreement were reached on Malta's financial requests, and he apparently has now given London until 18 August to reply. Moreover, Mintoff told the German ambassador on the 13th that he would accept an interest-free, "no-strings-attached" loan of \$4.8 million from either Bonn or Washington with the tacit understanding that Malta would repay it if negotiations with the British failed. The ambassador is proposing to Bonn that the two countries, in consultation with London and NATO, agree to make such an offer.

Even though Mintoff continues to stress that he has other options, he is concerned over the quid pro quo Libya is demanding in return for a cash subsidy.

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[REDACTED] Tripoli wants to establish a "presence" on Malta that would apparently allow Libya some far-reaching but as yet unspecified rights. [REDACTED]

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MALAWI - SOUTH AFRICA: President Banda's five-day visit to South Africa, which begins today, is likely to involve more show than substance.

In a conversation with the US ambassador last week, Banda said that he expects no quick reform in South Africa's racial policies and that he intends to use his visit--the first by a black African head of state--to develop communications designed to foster change over the long term. Banda believes that broad multiracial contact, rather than violent confrontation, is the key to promoting black political participation in states of southern Africa that are ruled by white minorities. Although his thesis has been accepted by some moderate black states, militant black African leaders regard it as ineffectual and immoral.

At the core of Banda's reasoning is his belief that South Africa's leaders can be convinced that they have nothing to fear from black governments or from the racial and political integration of blacks within South Africa, a notion not shared by South Africa's leaders. Although South African leaders pursue an "outward policy" of increased contact with black African states, they have no intention of letting that policy open the way for fundamental changes in domestic racial matters.

Because the visit will be devoted to the public relations aspect, both sides will seek to project an image of reason and moderation. Such a display, however, is likely to spark renewed criticism by black African militants and could widen the gulf between Banda and many of his colleagues. Within South Africa, the preferential treatment accorded Banda will contribute to the growing controversy over the inequities of the racial rules.

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GHANA: Prime Minister Busia's civilian government, now two years old, is making a greater effort to come to grips with Ghana's pressing economic problems.

The government is pushing ahead with a program that combines an intensification of the belt-tightening originally instituted by the junta that ousted Nkrumah in 1966 with increased expenditures aimed at developing the agricultural sector and boosting exports. Active opposition to wage and salary hikes is a basic feature. New measures announced in the budget unveiled last month include "development levies" involving increased taxes on individual and corporate incomes and higher excise taxes. The government has also raised and extended surcharges on imported goods while cutting military expenditures and fringe benefits long enjoyed by civil servants.

The program is aimed most immediately at combating continuing high unemployment, mounting inflation, food shortages, and an adverse balance of payments. The government is also struggling to honor inherited foreign debts, which are still burdensome despite three reschedulings. A decline over the past year in prices for cocoa, Ghana's chief export, has added to the government's difficulties. Beyond its purely economic objectives, the program reflects the present regime's interest in redistributing national income to provide a greater share to the peasant majority, which supported Busia in the 1969 elections.

Although Busia's program should solidify his popularity in rural areas, it risks alienating urban dwellers, who comprise the most vocal and best organized sector of Ghana's body politic. Labor, increasingly restive, will almost certainly call more strikes. Other urban elements are also grumbling about the reduced living standard imposed on them, and the opposition party will do its best to fan the discontent. The government is thus facing a difficult period, although for the present there is no overt threat to its continued rule. [REDACTED]

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ARMS CONTROL: Nonaligned delegates to the Geneva disarmament talks are troubled by the draft convention curbing biological weapons (BW) on which the superpowers have agreed, but they have not yet decided how to respond.

The nonaligned countries have traditionally taken the position that such a convention should also include chemical weapons (CW). The present US-USSR text avoids the CW field because of its complex verification problems but pledges further negotiations in this area. The nonaligned countries are considering a paper, written primarily by Yugoslavia, that would seek to commit the superpowers more strongly to the "principle" of reaching a comprehensive CW ban at an early date.

The Yugoslav desire for a more affirmative reference in the BW convention to the 1969 UN General Assembly resolution on the Geneva Protocol of 1925 is particularly unpalatable to the US. That resolution, adopted by an overwhelming margin, directly challenged the US contention that the protocol does not ban the use of tear gas and herbicides in war. A Yugoslav delegate has frankly admitted that his tactics are aimed at influencing the US Senate's consideration of the protocol. Many of the other nonaligned are reluctant, however, to sour the negotiating atmosphere in that fashion.

If they do opt to open up a number of controversial points, there would be a strong likelihood that no text could be agreed upon this year by the 25 conferees. Conflict on the interpretation of the 1925 protocol could even jeopardize the delicate superpower agreement to stand together in seeking a BW convention. The USSR supports the majority view taken by the Assembly in 1969 but has for some months muted its propaganda line on that subject. Agreement at the talks is a necessary precondition for Assembly acceptance this fall of a BW draft convention. [REDACTED]

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EL SALVADOR: President Fidel Sanchez apparently has decided that his private secretary, Colonel Arturo Armando Molina, will be the government party's presidential candidate in elections next February.

Molina, a long-time friend and adviser to Sanchez, has been serving in his current post since 1969. Molina has been mentioned frequently as a front-runner for the nomination; he is generally considered an intelligent and competent military officer.

According to a press account, the choice for vice president is Enrique Mayorga Rivas, a civilian and a high-level leader of the governing National Conciliation Party. Like Molina, Mayorga has been a close friend and adviser to Sanchez for many years and has served as secretary general of the presidency since Sanchez took office in July 1967.

Although both men are likely choices and have been in positions from which they could obtain considerable preparation for their prospective jobs, Sanchez has until 20 August to make the final decision.

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NORWAY: Prime Minister Bratteli's minority Labor government plans some new foreign policy initiatives to improve its record before local elections next month and national elections in 1973. Several Norwegian officials have warned that these moves, which include technical assistance to Cuba through UNCTAD and financial aid for African "liberation movements," may create some friction with Norway's allies. The officials emphasized, however, that the initiatives would not represent any weakening of Norway's allegiance to NATO or change its basic pro-US orientation. The officials did not include on the list of planned initiatives recognition of North Vietnam, a move endorsed by the Labor Party at its annual convention in May. [REDACTED]

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BAHRAIN/QATAR: On Saturday, Bahrain shrugged off the protectorate treaty under which Britain had handled its defense and foreign affairs since the early 19th century, and assumed full independence. At the same time the Sheikh announced that Bahrain would seek membership in the Arab League and the UN. Iran, the strongest Persian Gulf power, sent a message of congratulations that amounted to recognition of the new state; Kuwait and Saudi Arabia, which dominate Arabian Peninsula politics, also sent their congratulations. The Sheikh's statement that the declaration would not affect Bahrain's "readiness to accede" to some federation of the Persian Gulf amirates under the proper circumstances apparently satisfied the demands of both Kuwait and Saudi Arabia for eventual federation of all the amirates. The neighboring state of Qatar is expected to follow Bahrain's lead shortly; it, also, will probably be recognized immediately. [REDACTED]

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VENEZUELA: Foreign oil companies (primarily US) are challenging the constitutionality of the new law governing reversion to the state of industry assets when concessions expire. Thus far, four companies have filed suit before Venezuela's Supreme Court to have the law declared unconstitutional. The law, signed by President Caldera last month, considerably broadens the definition of assets that will revert to the government when concessions begin expiring in 1983-84. Should the court uphold the law, as seems most likely, the companies fear that its strict application will impose onerous financial and administrative burdens on their operations.

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